



## COUNCILMEMBER CARL DEMaIO

FIFTH DISTRICT  
CITY OF SAN DIEGO

### MEMORANDUM

DATE: May 1, 2009

TO: David Wescoe, SDCERS Administrator/CEO  
Jan Goldsmith, City Attorney

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Exploration of Suspension of Pension Cost of Living Adjustments

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As called for in Municipal Code section 24.1505, pension payouts for benefit recipients are typically adjusted 2% annually for a Cost of Living Adjustment (COLA). It is important to note that all pension plans do not offer a COLA.

With the unfunded liability (UAAL) of the pension system estimated at 64.6% as of March 31, 2009, it is imperative that the City take all steps within the law to reduce the cost of pension benefits. In order to better inform decision-making at the City, I request that SDCERS provide an estimate of budgetary savings attributable to a temporary, one year suspension of the COLA using FY 2010 as a base year.

In addition, please calculate a decrease in the UAAL resulting from a permanent elimination of the COLA.

In order to understand the process by which the City or SDCERS could address this issue, I request an analysis of legal options for reform of the COLA provision from the City Attorney's office.

Due to the probable negative impact of the FY 2011 ARC payment on the City's finances, exploring further options for cost savings in the pension system is essential. I strongly believe that reforming annual COLAs in the pension system can be a critical part of our long term strategy for restoring the financial health of the pension system and the City.

CC: Honorable Mayor Jerry Sanders  
Honorable City Councilmembers  
SDCERS Board of Administration